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Letter dated 4 April 2005 from the Chairman of the Security Council Committee established pursuant to resolution 1373 (2001) concerning counter-terrorism addressed to the President of the Security Council

I write with reference to my predecessor's letter of 19 October 2004 (S/2004/852). The Counter-Terrorism Committee has received the attached fourth report from the Islamic Republic of Iran submitted pursuant to paragraph 6 of resolution 1373 (2001) (see annex). I would be grateful if you could arrange for the present letter and its annex to be circulated as a document of the Security Council.

(*Signed*) Ellen Margrethe **Løj**
Madame Chairman
Security Council Committee established
pursuant to resolution 1373 (2001)

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Annex

Letter dated 28 March 2005 from the Permanent Representative of the Islamic Republic of Iran to the United Nations addressed to the Chairman of the Counter-Terrorism Committee

With reference to your letter dated 20 September 2004, I have the honour to transmit herewith the fourth report of the Islamic Republic of Iran prepared in response to the questions formulated by the Counter-Terrorism Committee (see enclosure).

(*Signed*) M. Javad **Zarif**
Ambassador
Permanent Representative

Enclosure

Answers to questions raised in the letter dated 20 September 2004 of the Chairman of the Counter-Terrorism Committee regarding the implementation of resolution 1373 (Fourth report of the Islamic Republic of Iran)

Answer to Q1.1:

- The Anti-Terrorism Bill, in line with the procedural requirements envisaged in the Constitution, is under scrutiny and consideration by the relevant specialized committees of the Islamic Consultative Assembly (the Parliament).

- The Bill against Money Laundering, which had been adopted by the Parliament, was not endorsed by the Guardian Council (Constitution supervisory body) and, therefore, was returned to the Parliament for reconsideration. Since the latter insisted on its adopted text, the Bill has been referred to the State Expediency Council for final review and approval, as the Constitution prescribes.

- Ratification of the Anti-Terrorism Bill as well as the Bill against Money Laundering stands as the priority of the Islamic Republic of Iran in this respect, while other relevant conventions and protocols are also under the process of consideration in the respective governmental committees. Furthermore, to remedy the present legal shortcomings, the Supreme National Security Council has adopted certain guidelines and directives to set forth basis for cooperation and interaction among various executive institutions and organizations. The mandate and responsibilities of such organizations have also been specified in those guidelines.

Answer to Q1.2:

As stated in the Islamic Republic of Iran's third report, articles 512 & 516 as well as article 5 (paragraph 1) of the Islamic Penal Code provide for the punishment of the perpetrators of offences and crimes against other countries and the foreign security of the state. Moreover, the Law for the Punishment of Perpetrators of Offences and Crimes against Foreign Countries adopted in 1971 provides for the punishment of persons who use the territory of Iran against the security of other states.

Answer to Q1.3:

Based on Article 9 of the Special Measures for Prevention of Money Laundering, a Specialized Anti-Money Laundering Committee, with the Financial Intelligence Unit as one of its important bodies, has been set up in one of the departments of the Central Bank. This Committee consists of seven members including a member of the Executive Board that monitors the activities of the banks (who chairs the committee), and Director Generals of: Department for Monitoring the Activities of Banks, Department for Foreign Exchange Policies, Department for International Affairs, Department for Foreign Exchange Operations and Legal Affairs, as well as representatives from the Ministry of Intelligence and the Ministry of Justice.

The functions and powers of the Specialized Anti-Money Laundering Committee are as follows:

1- Verifying compliance with the Special Measures for Prevention of Money Laundering in financial institutions. These financial institutions are specified in Paragraph 3 of Article 1 of the Special Measures for Prevention of Money Laundering and are as follows:

i -Public and private banking agencies,

ii - Credit institutions authorized by the Central Bank,

iii – Private brokers dealing with foreign exchanges,

iiii-State Cooperative Fund, Interest Free Loan Funds and Credit Cooperative Funds operating under the rules set by the State Money and Credit Council and other relevant regulations in place,

2- Considering and approving the internal rules of procedure of financial institutions specified in Para 3 of article 1 of the Special Measures for Prevention of Money Laundering concerning identification of customers and suppression of money laundering. To be approved, the said rules of procedures should contain enough information about the policies and proposals of the relevant financial institutions regarding the following elements:

i- Methods of gathering, processing, classifying and keeping record of any information related to the identity of the customers or their representatives (be it natural or legal person),

ii- Methods of keeping documents related to the verification of the identity of customers and their operations,

iii- Methods of detecting any suspicious activities and their reporting to the Central Bank accordingly,

iiii- Designing and Implementing staff-training preprograms on identification of customers and prevention of suspicious activities,

iiiii- Developing internal control regulations and designating the monitoring (compliance) officers in each branch or unit,

3- Listing the names of the compliance officers in the financial institutions stipulated in paragraph 1 above.

4- Identifying unauthorized credit institutions (under article 10 of the Special Measures for Prevention of Money Laundering), setting a deadline for freezing the accounts and publishing the names and other information related to such institutions.

5- Considering and deciding about any other identification methods proposed by financial institutions with regard to the verification of the identity of customers (under para 4 of article 12 of the Special Measures for Prevention of Money Laundering).

6-Considering the report of the financial institutions on suspicious instances of money laundering within the monitoring mechanism.

7- Setting the policy and strategy for training the staff of the Central Bank and financial institutions on detection and reporting of instances of money laundering.

8-Investigating the instances of violation of the provisions of the Special Measures for Prevention of Money laundering by financial institutions and their staff.

9-Considering and deciding about any urgent case of money laundering and financing of terrorism referred to the Committee by its chairperson.

Answer to Q1.4:

In line with its international obligations, the Islamic Republic of Iran has regularly submitted lists of the names of the persons and organizations suspected of involvement in acts of terrorism (received from relevant United Nations mechanisms), to the banking agencies as well as credit and financial institutions of the country for identification and freezing of the accounts of such entities and individuals. To this end, the banking system and financial institutions of the country are regularly furnished with the updated information received from the relevant committees of the Security Council.

Following thorough investigations conducted by relevant authorities of the country, it has been concluded that the persons and groups affiliated to Al-Qaede and Talibans do not have any account in the banking and credit agencies of the Islamic Republic of Iran, except for the case reported orally to the Chairman of the Security Council 1267 Committee, during his visit to the Islamic republic of Iran from Dec. 7$^{th.}$ 2004 to Dec 9th, 2004. The accounts relating to this case have been frozen.

As to the organizations operating out of the banking system of the country through wire transfer of money or *Havaleh*, a single suspected organization has been detected in Iran. Since the case is under the process of investigation, it is not yet possible to openly disclose the details of this case and publish the related information. Upon completion of the process of investigation, the Committee will be duly informed of the details of the case.

Regarding the groups and organizations designated as terrorist groups, the Islamic Republic of Iran has repeatedly announced that the MKO and its affiliates NCR, NCRI and NLA have been involved in terrorist acts against Iranian and other nationals both inside and outside Iran during the past three decades, killing and wounding thousands of innocent people. The said group and its affiliates, with their headquarters in Baghdad, have developed an extensive terrorist network which operates in different countries of the world especially in Europe and the United States and are engaged in designing, conducting and financing acts of terrorism.

These groups had special systematic links with the Saddam regime in Iraq and have set up a large training and operation base named "Ashraf Camp" in Iraq. Detailed information about the activities of these terrorist groups will be submitted to the CTC in a separate report.

Answer to Q1.5:

The most important network of non-banking agencies involved in money business operations in Iran are Interest-Free loan Funds, which are required to operate under the rules set by the State Money and Credit Council and comply with the procedures prescribed by the Central Bank.

According to the rules in place, the Interest-Free Loan Funds are obliged to prepare their financial statements and submit them to the Central Bank for investigation, if so requested.

The Central Bank is authorized to revoke the licenses of such funds if they are found violating the relevant rules and procedures. Recently, tougher measures have been taken to ensure stricter control over such funds and disband them, if they are found operating out of the supervisory framework of the Central Bank. Moreover, subject to article 10 of the Special Measures for Prevention of Money Laundering, opening of accounts for and providing any banking services to unauthorized credit institutions are prohibited. The financial institutions subject to the Special Measures are required to freeze the accounts of such institutions and discontinue their services to them.

Furthermore, under the Executive Directive adopted by the Cabinet of Ministers on the foundation and operation of non-governmental organizations, all entities operating as societies, associations, centers, foundations and organizations are required to obtain the authorization provided for in the Directive from the relevant authorities. Accordingly, such entities are obliged to inform the relevant inspection authorities of any contributions or assistance that they may receive from foreign sources.

According to article 16 of the said Directive, if such non-governmental entities are established for monetary and credit purposes or for providing interest-free services, they are obliged to obtain prior authorization from the Central Bank for their foundation and operation. In this context, the activities and financing of charitable entities are also governed by the said Directive and strictly monitored by the relevant inspection authorities.

Answer to Q1.6:

Under the provisions of the State Monetary Law, the Central Bank issued an Executive Order (No 2709) on July 25, 2003 which required the banking agencies of the country to collect and provide information related to the applicants for any wire transfer of money or the originator of such money in view of the recommendation of the International Swift Institute to replace MT103 messages for MT100 messages. It is worth mentioning that wire transfer of money in the financial institutions of Iran is subject to the provisions of Special Measures for Prevention of Money Laundering and the relevant provisions on prevention of financing terrorist activities.

Answer to Q 1.9:

The National Anti-Terrorism Committee in Iran is responsible for ensuring the necessary coordination and information- sharing among the relevant agencies involved in the fight against terrorism. The Ministry of Intelligence and law enforcement agencies including the police force are also involved in exchange of information and intelligence related to suspicious terrorist activities through the INTERPOL and other relevant channels. The National Anti-terrorism Committee consists of the representatives of Ministry of Intelligence, Ministry of Foreign Affaires, Ministry of Interior and some other organs depending on the case under consideration. The activities of the said Committee are overseen by the Supreme National Security Council.

Answer to Q1.10:

Declaration and prior authorization for any cross-border movement of cash, negotiable instruments, precious stones and metals are obligatory in Iran. Under the Act of Imports and

Exports which governs cross-border exchanges and transactions, the Customs Administration is responsible for controlling any such movement and ensuring compliance with the rules and regulations in force.

Answer to Q1.11:

Iran's Customs Administration shares information with the World Customs Organization through Customs Enforcement Network (CEN) and Regional Intelligence Liaison Office for Asia and Pacific in Beijing on seizure of smuggled goods including narcotic drugs. Iran has also signed agreements with many countries of the world on exchange of customs-related information including customs violations and smuggling of contraband goods.

The Iranian Civil Aviation Organization has adopted the necessary security measures for the protection of the airports of the country under the latest rules and recommendations introduced by ICAO. Besides, the Islamic Republic of Iran's Ports and Shipping Organization is responsible for protection of ports and offshore installations, in coordination with the armed forces and law enforcement agencies of the country.

Answer to Q1.12:

The legal procedures for the lodging, registering or checking of goods declaration and supporting documents relating to firearms and also other rules governing warehousing are provided for in Chapter 3 of the Executive Directive of the Customs Law (Articles 65 to 72).Also, under para 3 of Article 40 of the said Law, the import of weapons and firearms including their parts and components such as gun powder, detonators, shots, bullets and other ammunition, dynamite, explosives and incendiaries is prohibited. Besides, in line with the provisions of the Notes to Chapter 93 of the Harmonized System, the import and export of firearms, ammunition as well as their parts and components are prohibited and require prior authorization from the Ministry of Defense and Logistical Support of the Armed Forces.

Furthermore, the following legal provisions are also in place:

i-Article 1 of the Act against Smuggling of Weapons and Ammunitions adopted in 1971,

ii-Articles 511 and 682 of the Islamic Penal Code,

iii-Articles 13 and 15 of the Act on Safety Measures adopted in 1960,

Answer to Q1-12A:

As stated above, under the provisions of the Customs Law, the import and export of weapons and firearms including their parts and components such as gun powder, detonators, bullets and other ammunition, dynamite as well as explosives and incendiaries are prohibited and require prior authorization from the Ministry of Defense and logistical Support of the Armed forces.

Answer to Q 1-12 B:

Iran's Customs Administration is responsible for the enforcement of import-export rules and regulations at border points, seaports and airports with regard to all goods, including the goods

which are subject to the provisions of Chapter 93 (firearms and ammunition) and Chapter 36 (explosives).

Answer to Q 1-12 C:

Under the existing law of the Islamic Republic of Iran, brokers and dealers are not allowed to involve in transactions concerning firearms or explosives or the issuance of import and export licenses and authorization for such transactions.

Answer to Q 1-12 E:

Interpol is one of the units operating within Iran's network of law enforcement agencies which closely cooperate with INTERPOL Central Office on prevention and suppression of illegal trafficking in firearms, ammunition and explosives.

Answer to Q 1-12 F:

To ensure an effective fight against terrorism and organized crimes, the Islamic Republic of Iran has signed bilateral cooperation agreements with a number of countries including Turkey, Libya, Greece, Tajikistan, Italy, Algeria, Spain, Sudan, Pakistan, Kuwait and Gambia.